



STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

*P.O. Box 9033 • Olympia, Washington 98507-9033
Telephone (360) 902-8760 • TDD (360) 664-8126 • FAX (360) 586-5068 • Web Site: www.dfi.wa.gov/sd*

November 13, 2003

Dear Registered Investment Adviser:

This letter provides important information and instructions regarding renewal of your investment adviser registration and the registration of your investment adviser representatives. If you have any questions about this process, please contact Bruce Johnson at 360-902-8781 or bjohnson@dfi.wa.gov.

Completing the Renewal Process: By now you should have received a 2004 IARD Renewal Program Bulletin from the NASD describing in detail the process to renew your investment adviser registration and the registration of any investment adviser representatives employed by your firm. If you did not receive the bulletin you can access it from the main IARD web page at <http://www.iard.com>. Briefly, you should complete the following steps:

- Get into the IARD website at <https://www.webiard.com/iad>. If you cannot locate your user ID and/or your password has expired, you will need to call the NASD Help Desk at 240-386-4848 and request assistance.
- Once you get to the Site Map click on the "Renewal Statement" link under the "Accounting" section.
- Print the statement. You will owe a \$100 annual NASD processing fee, a \$75 Washington renewal fee (plus fees for any other states where you are registered that require registration through IARD), a \$45 annual NASD processing fee for each investment adviser representative employed by your firm, and a \$20 Washington renewal fee for each investment adviser representative registered in Washington (plus any fees for other states).
- Write a check for the **full amount** of the statement, and **write your firm's IARD number and the word "Renewal" on the memo line of the check**. If you think the amount you owe is incorrect you may want to contact the NASD but pay the full amount anyway. Any changes, including additions/deletions of IA representatives or states where you are registered will be reflected on your final renewal statement which will be available the first week of January.
- Send your check with a copy of the first page of the renewal statement to one of these NASD addresses for renewals only:

Regular Mail
NASD, CRD-IARD
PO Box 7777-W8705
Philadelphia, PA 19175-8705

Express Delivery
NASD, CRD-IARD
W8705 c/o Mellon Bank, Rm 3490
701 Market St
Philadelphia, PA 19106
Phone # (240) 386-4848, if needed
by the delivery firm

- **Make sure your check is posted to your RENEWAL account (not your daily account) by December 5, 2003. If you have not already paid the renewal fee, do it now as it can take several days for the funds to be credited to your account. We recommend that all payments be deposited to your renewal account no later than December 2, 2003 to allow sufficient time for the NASD to post them by the deadline. You also have the option of wiring funds or paying electronically. Please consult the IARD Renewal Bulletin for further information on these payment methods.**
- In January, look at your final renewal statement and reconcile any differences between the two statements. Refer to the Renewal Bulletin for further information on this process.

Form ADV Part 2: There is still no word from the SEC about when it will adopt the new Form ADV Part 2, therefore you must continue to use the present Part II.

Updating Your Form ADV: Remember, within 90 days after your fiscal year-end you must, if changes are necessary, update your Form ADV Part 1 online on the IARD system, and update your Form ADV Part II and send the changes to the Division. (Note: Form ADV Part II is available on the Division's website in a .pdf format that can be filled out online and printed. You cannot save it with your text in it unless you have the full Adobe Acrobat, but for your Schedule F disclosure you can copy and paste that over to a Word document, make changes and then copy and paste it back into the Form.) At a minimum, if you are reporting that you are a portfolio manager, the dollar figures and number of accounts you report on Form ADV Part 1 Item 5 F. should have changed from the prior year.

Custody Disclosure on ADV Part 1: State registered advisers whose principal place of business is in Washington must continue to check Item 9, ADV Part 1 "yes" for custody when they have the ability to directly withdraw fees from client accounts or where they are the general partner or managing member of an LLC, or trustee. Therefore, if you respond to ADV Part 1B, Item 2.I(1) (withdrawal of fees directly from client accounts) or 2.I(2) (general partner, managing member, or trustee) in the affirmative, you should also respond "Yes" to Item 9 (Custody) in Part 1A. Please note, however, that the Division will not require compliance with the minimum net worth requirements of WAC 460-24A-170, or the independent verification requirements of WAC 460-24A-105 so long as you respond affirmatively to and comply with appropriate provisions of Item 2.I(1)(a) through (c), pertaining to direct withdrawal, or Item 2.I(2)(a), pertaining to general partners, managing members, or trustees.

Example: ABC Firm withdraws advisory fees directly from its clients' accounts. ABC answers "yes" to Item 2.I(1) of Part 1B of Form ADV. ABC also answers "yes" to Items 2.I(1)(a), (b) and (c).

In this circumstance, ABC should respond that it has custody in response to Item 9 of Part 1A of Form ADV. Because it responded affirmatively to Items 2.I(1)(a), (b) and (c) of Part 1B, however, the Securities Division will not require compliance with the minimum net worth requirements of WAC 460-24A-170 or the independent verification requirements of WAC 460-24A-105.

Annual Financial Statement:

- The Division requires that all investment advisers prepare a fiscal year end balance sheet within 90 days after their fiscal year end (FYE).
- If your firm does not have discretion or custody, or is excluded from complying with the net worth requirements of WAC 460-24A-170 as a result of Item 2.I(1)(a) through (c) or Item 2.I(2)(a) of Part 1B (see above), you may file the balance sheet or, in lieu of the balance sheet, you may complete, sign and file the attached Certification. As mentioned above, you still must prepare the FYE balance sheet and have it on hand. Our examiners may request a copy when they visit your offices or you may receive a notice requiring that the balance sheet be filed with the Division.
- Those firms that have custody or discretion, and whose principal place of business is located in Washington, are required to file the FYE balance sheet with the Division. The balance sheet must show compliance with the net worth provisions of WAC 460-24A-170, which are \$35,000 for firms with custody and \$10,000 for firms with discretion. Please review the rule carefully, as certain assets are excluded from the computation of net worth. For entities, loans to shareholders and officers, organizational costs and prepaid expenses are excluded. In addition, home furnishings, automobiles, and nonmarketable personal items are excluded in the case of sole proprietorships.
- Those firms that have custody or discretion, and whose principal place of business is not in Washington, may file the balance sheet or, in lieu of the balance sheet, you may affirm via the attached certification, that the firm has the minimum net worth (if any) required by the state in which it maintains its principal place of business, is licensed in that state, and is in compliance with that state's minimum capital requirements (if any).

New FTC Rule Requires IA's To Have Customer Client Information Privacy Safeguard Plan:

The Federal Trade Commission adopted a rule, which became effective on May 23, 2003, that requires companies engaging in financial activities (which includes investment advisers) to draft a written plan to safeguard the privacy of client information. Information on the requirements of the rule and what types of procedures should be put in place to satisfy those requirements can be found on the FTC's website at <http://www.ftc.gov/bcp/conline/pubs/buspubs/safeguards.htm>.

2003 Investment Adviser Certification

1. Firm Name: _____ IARD No. _____
2. Does this Firm have Custody? ☐ yes ☐ no
3. Does this Firm have Discretion? ☐ yes ☐ no
Note – If you responded “yes” to either question 2 or 3 (or both) and your principal place of business is in Washington, do not complete the rest of this certification. Instead please file a copy of your fiscal year end (FYE) balance sheet within 90 days of the end of your fiscal year.
4. The Firm’s fiscal year ends on: month _____ day _____.
5. Has the Firm prepared a balance sheet, in accordance with generally accepted accounting principles (GAAP), as of the end of the 2003 fiscal year (the 2003 fiscal year is the fiscal year that ends during 2003)?
☐ yes ☐ no
6. As of the end of the 2003 fiscal year, the Firm’s net worth (assets minus liabilities), as determined in accordance with generally accepted accounting principles, was \$ _____.
7. Is the firm able to meet its obligations and pay its debts as they come due in the ordinary course of business? ☐ yes ☐ no
8. If the firm’s principal place of business is not in Washington, respond to the following:
 - a. The firm’s principal place of business is located in the state of _____.
 - b. Is the firm licensed as an investment adviser in the state identified in 8a?
☐ yes ☐ no
 - c. Is the firm in compliance with any applicable net worth or capital requirements imposed by the state identified in 8a? ☐ yes ☐ no

Certification

I certify under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct.

Please complete and mail or fax to:

Bruce Johnson
Securities Division
P. O. Box 9033
Olympia WA 98507-9033
FAX: (360) 704-6981

Signature

Name

Title

Date